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# HOUSE BILL No. 1525

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-20-1-28; IC 24-9-2-1.5; IC 24-9-3.5.

**Synopsis:** Mortgage loans. Prohibits the housing and community development authority or a mortgage lender from authorizing, approving, or making a mortgage loan that is financed from funding through the authority to a first time home buyer unless the home buyer has completed eight hours of home ownership education. Requires the creditor that holds a home loan secured by a mortgage on the home of an at risk home purchaser: (1) during the first year of the home loan, to collect, as an additional amount with each monthly payment, an amount sufficient to pay what the at risk home purchaser will owe for property taxes and private mortgage insurance during the second year of the home loan, and to put that amount in an escrow account; and (2) during the second year of the home loan, to pay what the at risk home purchaser owes for property taxes and private mortgage insurance from the escrow account.

**Effective:** July 1, 2007.

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**Murphy**

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January 23, 2007, read first time and referred to Committee on Financial Institutions.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## HOUSE BILL No. 1525

A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 5-20-1-28 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2007]: **Sec. 28. (a) As used in this section, "first time home**  
4 **buyer" means an individual who has not had an ownership interest**  
5 **in a principal residence at any time during the five (5) years**  
6 **preceding the date on which the individual intends to purchase a**  
7 **principal residence.**

8       **(b) The authority or a mortgage lender may not authorize,**  
9 **approve, or make a mortgage loan that is financed by funding**  
10 **through the authority to a first time home buyer unless the first**  
11 **time home buyer has completed eight (8) hours of home ownership**  
12 **education through a home ownership education program certified**  
13 **by the authority under section 4 of this chapter.**

14       SECTION 2. IC 24-9-2-1.5 IS ADDED TO THE INDIANA CODE  
15 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
16 1, 2007]: **Sec. 1.5. "At risk home purchaser" means an individual**  
17 **who:**



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(1) is a first time home buyer (as defined in IC 5-20-1-28(a));  
and

(2) has a poor credit rating, as defined by rules adopted under  
IC 4-22-2 by the department of financial institutions.

SECTION 3. IC 24-9-3.5 IS ADDED TO THE INDIANA CODE  
AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
JULY 1, 2007]:

**Chapter 3.5. Home Loans for At Risk Home Purchasers**

**Sec. 1.** This section applies only to a home loan secured by a  
mortgage on the home of an at risk home purchaser.

**Sec. 2.** As used in this chapter, "at risk home purchaser" has the  
meaning set forth in IC 24-9-2-1.5.

**Sec. 3.** During the first year of a home loan secured by a  
mortgage on the home of an at risk home purchaser, the creditor  
that holds the home loan shall do the following:

(1) Charge and collect from the at risk home purchaser  
payments that, in addition to satisfying the obligations of the  
at risk home purchaser to pay principal and interest to the  
creditor during the first year, also include an amount, as  
determined under section 5 of this chapter, sufficient to pay  
the amounts that the at risk home purchaser will owe for  
property taxes and private mortgage insurance during the  
second year of the home loan.

(2) Deposit in an escrow account the amounts collected from  
the at risk home purchaser's monthly mortgage payments  
under subdivision (1) for the payment of property taxes and  
private mortgage insurance payable during the second year  
of the home loan.

**Sec. 4.** During the second year of a home loan secured by a  
mortgage on the home of an at risk home purchaser, the creditor  
that holds the home loan shall withdraw the amounts deposited in  
the escrow account under section 3(2) of this chapter and pay the  
amounts owed by the at risk home purchaser for property taxes  
and private mortgage insurance.

**Sec. 5.** A creditor that holds a home loan secured by a mortgage  
on the home of an at risk home purchaser shall determine the  
amounts to be charged and collected each month for property taxes  
and private mortgage insurance during the first year of the home  
loan under section 3(1) of this chapter using the following STEPS:

**STEP ONE:** Calculate the estimated annual property tax and  
private mortgage insurance that the at risk home purchaser  
will be required to pay with respect to the home in the second

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1           year of the home loan.

2           **STEP TWO: Divide the STEP ONE result by twelve (12).**

3           SECTION 4. [EFFECTIVE JULY 1, 2007] (a) As used in this  
4           SECTION, "department" means the department of financial  
5           institutions established by IC 28-11-1-1.

6           (b) The department may establish temporary guidelines that  
7           define "poor credit rating" for the purposes of IC 24-9-2-1.5 and  
8           IC 24-9-3.5, both as added by this act.

9           (c) The temporary guidelines established under subsection (b)  
10          expire on the earlier of:

11          (1) the date the department adopts rules under subsection (d)  
12          to define "poor credit rating"; or

13          (2) July 1, 2008.

14          (d) The department shall adopt rules to define "poor credit  
15          rating" for the purposes of IC 24-9-2-1.5 and IC 24-9-3.5, both as  
16          added by this act, not later than June 30, 2008.

17          (e) This SECTION expires July 2, 2008.

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